CANADA MORTGAGE AND HOUSING CORPORATION

Hungary

NHA 8048

KEY OPPORTUNITIES

RISK ASSESSMENT

DEMOGRAPHIC DATA

CULTURAL ISSUES

BUSINESS ENVIRONMENT

HOUSING EXPORT OPPORTUNITIES SERIES

COUNTRY REPORT

CMHC SCHL
Helping to house Canadians

CMHC – Your Housing Experts

Canadians are among the best housed people in the world, and the majority own their homes. Part of this success is due to Canada Mortgage and Housing Corporation (CMHC), the federal housing agency. Since 1946, CMHC has helped to house generations of Canadians. We've developed the standards and practices required by a growing housing industry and found new ways to help Canadians finance home purchases.

Today, more than one third of all mortgages are insured by CMHC – but there's more to CMHC than mortgage insurance. We're continually finding ways to build better, more efficient and affordable housing, and to make information about it available to you.

In fact, CMHC is Canada's most comprehensive and objective source of information on housing and exporting, whether you're a home owner, a potential buyer, a renovator or a builder, or if you have special housing needs.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

Hungary

NHA 8048

HOUSING EXPORT OPPORTUNITIES SERIES

HUNGARY

One of the ways CMHC contributes to the improvement of housing and living conditions in Canada is by communicating the results of its research. Contact CMHC for a list of available information products on a variety of social, economic, environmental and technical housing-related topics.

Phone 1-800-668-2642 or visit us on the Internet at: www.cmhc-schl.gc.ca

Cette publication est aussi disponible en français sous le titre : *Hongrie*, LNH 8048.

Canada

Team Canada • Équipe Canada

This project was funded by Canada Mortgage and Housing Corporation (CMHC). However, the views and recommendations expressed are the personal views and recommendations of the authors and CMHC accepts no responsibility for them. Any reliance on, or action taken on, such information is at the sole risk of the user. This book is not a substitute for professional advice.

Printed in Canada
Produced by CMHC

TABLE OF CONTENTS

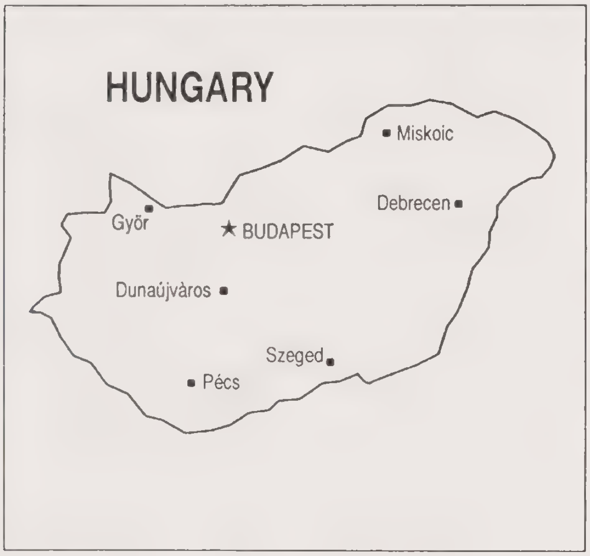
LIST OF TABLES

GEOGRAPHY

Hungary is located in Central Europe, northwest of Romania. The total area of Hungary is 93,030 km^2. The land area is 92,340 km^2. Hungary's land boundaries total 1,989 km; shared with Austria 366 km, Croatia 329 km, Romania 443 km, Serbia and Montenegro 151 km (all with Serbia), Slovakia 515 km, Slovenia 82 km, and the Ukraine 103 km.

Administratively, the country consists of 38 counties, and one capital city region around Budapest. Hungary's terrain consists mainly of flat and rolling plains, with low mountains along the border with the Slovak Republic.

The climate is temperate with cold, humid winters, and warm summers. Hungary is rich in natural resources including bauxite, coal, natural gas and fertile agricultural soils. Environmental issues include air pollution, and the contamination of Lake Balaton from industrial sources.



DEMOGRAPHICS

The population of Hungary reached 10.3 million in 1995.

Eighteen percent of the population is under 14 years; 68 percent is between 15-64 years; and 14 percent is 65 years and over.

The population growth rate was 0.02 percent in 1995. The birth rate was 12.65 births per 1,000 population. The death rate was 12.44 deaths per 1,000 population. The net migration rate was 0 migrants in 1995.

Hungary's population is projected to decrease by 0.4 percent between 1992-2000. Currently, 44 percent of the population reside in urban areas, a relatively low percentage for the Central and Eastern Europe region.

While Hungary continues to be a destination for immigrants, the population of Budapest is expected to remain constant for the foreseeable future. The general trend of people moving into Budapest from the countryside decreased by almost 5 percent between 1990-94, reversing a positive migration, and now 3.2 persons leave the city for every new immigrant. Demographic indicators are presented in Table 1.

The nationality is Hungarian. Ethnic divisions include Hungarian (89.9 percent), Gypsy (4 percent), German (2.6 percent), Serb (2 percent), Slovak (0.8 percent), and Romanian (0.7 percent).

Religions include Roman Catholic (67.5 percent), Calvinist (20 percent), Lutheran (5 percent), and atheist and other (7.5 percent). Languages spoken include Hungarian (98.2 percent) and other (1.8 percent).

Table 1: Demographic Indicators

Population (million)	10.3
Population Density (per km^2, 1994)	111
Population by Age	
0-14	18%
15-64	68%
65+	14%
Literacy Rate	99%
Population Growth (% projection 1992-2000)	–0.4
Urban Population (% of total, 1994)	44
Human Development Index (ranking out of 174 countries, 1992)	50
Cities with over 1 million Inhabitants (1995)	Budapest, 2 million
Growth Rate of Largest City (% 1990-95)	Budapest, 0

Sources: MRI, 1996; EIU, 1996; UN, 1995

ECONOMIC OVERVIEW

Much of Hungary's current economic policy is driven by the objective of expanding trade with the West, the EU in particular. The positive growth in real GDP in 1994, was the country's first positive growth since 1990, and the expansion of GDP in 1995 was moderated by the government's IMF-monitored austerity program. This program encompasses a broad range of initiatives to correct internal and external imbalances, reduce deficits and debt service costs, and put Hungary on a path of low inflation growth.

The Hungarian government continues to reform social security, and cut a bloated public sector in an attempt to reduce the largest per capita debt in Central and Eastern Europe, and further reduce inflation. Initial indications are that the austerity program is producing positive results. The current account deficit is down, the budget is on course and inflation has been slightly reduced. However, the goal of an 18-percent inflation rate for 1997 seems unlikely to be achieved.

Nonetheless, Hungary's credit rating was recently upgraded to BBB minus by international credit rating agencies. Hungary has received more than half of all European Bank for Reconstruction and Development (EBRD) loans (approximately US$1.3 billion), which will go towards financing major highway and railway projects. Among the Eastern Europe countries, Hungary has been among the most advanced in terms of improving the clarity of the business environment for exporters and investors, and has been given an advanced rating for its progress by the World Bank. The overall debt has been reduced by US$3.2 billion in the last twelve months.

Hungary attracted over US$14 billion in foreign investment between 1989-96. Canada is considered a major foreign investor, with investments of more than $200 million, although the U.S., Germany, Austria, France, the UK, Japan, Switzerland and Sweden have invested more in Hungary.

A number of state-owned assets will be privatized in 1997 as part of ongoing efforts, including banks, energy and industrial companies. Overall, the private sector currently generates 75 percent of Hungary's GDP. Even prior to Hungary's proposed integration into the EU, its economy was strongly linked to those of Germany and Austria through exports and direct investment. With Germany's GDP growth predicted to be almost flat for 1996, and Austria performing slightly better with a 1-percent growth, the prospects for Hungarian economic recovery and growth are modest. Hungary's key geographic location and low labour costs will ultimately ensure an important role in EU trade. Key economic indicators and projections are illustrated in Table 2.

Table 2: Key Economic Indicators and Projections

	1994	1995	1996	1997 (est.)
Real GDP (% growth)	2.0	1.5	1.5 (est.)	3.5
GNP per capita (US$ at Purchasing Power Parity [PPP])	6310			
Average Gross Monthly Wages (US$)		327.77		
Unemployment Rate (%)		10.9	10.7 (est.)	
Inflation Rate (%)		28.2	16	
Trade Balance (US$ billion)	–3.6			
Housing Investment to GDP (%)	2.8			
Gross Debt (US$ billion)	28.0	31.7	29.4 (est.)	29.7
Foreign Direct Investment (US$ million)	1,887			

Sources: EIU, 1996; MRI, 1996; EBRD, 1995; USDOC, 1996

World Bank Assessment

Hungary experimented with market type reforms much earlier than the other socialist countries. The "new economic mechanism", introduced during the late 1960s and accelerated during the 1980s, led to remarkable progress in establishing a basic legal and institutional framework for a market economy. Following the installation of a democratically elected government in 1990, the reform process was accelerated further. A rapid expansion of private enterprises and creation of joint ventures pushed the private sector's share in GDP to over 60 percent, employing almost half of the labour force.

In mid-1994, the socialist party won a strong victory in Hungary's elections. Although the Prime Minister, leader of the socialist party, had a third of the popular vote and more than half the seats in parliament, he opted for a coalition government with the liberals, which were the second largest contenders in the elections, in order to ensure majority support for the next phase of economic reforms. After initial delays, the government took the first important steps towards reforming Hungary's public finances.

Previously, the need for drastic reorientation of trade policy and delayed adjustments resulted in disappointing economic growth in the first half of the 1990s. After declining by approximately 18 percent between 1990-93, the economy began to grow in 1994; however, the current account deficit amounted to almost 10 percent of GDP in 1994 and 6 percent of GDP in 1995. The deficit was particularly worrisome because it occurred against the back drop of an already high debt service ratio.

In March 1995, the socialist-liberal coalition government began to address these account imbalances with a strong emergency stabilization program. The economic package was aimed at putting the economy on a sustainable path of low-inflationary growth. Wage policy in the public sector was tightened and budgetary measures were utilized to reverse the deterioration of the fiscal accounts.

The stabilization package has had positive results. The government deficit (excluding privatization revenues) fell from 8.3 percent of GDP in 1994 to about 7 percent in 1995. GDP rose by approximately 1.5 percent in 1995, despite a contraction in aggregate demand due to fiscal tightening. Substantial progress was achieved on the external front with exports rising nearly 10 percent in real terms and reaching an all time high of almost US$13 billion in 1995 (or 30 percent of GDP in 1995). Also, imports slowed down significantly in the second half of 1995. Consequently, the current account deficit fell to 5.7 percent of GDP in 1995, comfortably covered by direct foreign investment. International reserves, boosted by enterprise borrowing and privatization receipts, rose to the equivalent of nine months of imports by the end of 1995.

However, developments have been less favourable in other areas. Inflation rose to 28 percent in 1995. This increase was partly due to a devaluation of the currency and the introduction of temporary import surcharges, followed by energy price adjustments in early 1995. Registered unemployment has remained at about 10 percent of the labour force.

In 1995, Hungary made progress in its economic transformation in three key areas: privatization and restructuring of enterprises, financial sector reforms, and public finances. Achievements in further privatizing the economy in 1995 were made by clarifying the regulatory framework for divesting enterprises and by selling equity. The newly established privatization agency is authorized to privatize about US$9 billion, or roughly four fifths of the total equity in state enterprises that is held in its portfolio. In addition, Hungary broke new ground in privatization in Central Europe by selling substantial equity shares in gas, electricity and oil industries to foreign investors at the end of 1995. Revenues from the 1995 privatization amounted to about US$3.2 billion, almost twice as much as the total Hungary had received in cash from all previous privatization initiatives.

The government's new financial sector reforms have focussed on privatizing all state-owned banks by the end of 1997. In 1995, with the privatization of two of the country's largest banks, almost two thirds of Hungary's banking sector assets are now privately controlled. Two other large banks, that comprise roughly one fifth of total bank

assets, are expected to be privatized under the government's 1995-97 bank privatization program.

With the realization that past stabilization programs tended to relax fiscal policies too early, the government is committed to staying on target with fiscal adjustments. Budgetary revenues fell from 54 percent of GDP to an estimated 49 percent in 1995, and substantial expenditure cuts and higher GDP have led to a decline in the expenditure/GDP ratio from 62 percent in 1994 to 56 percent in 1995. To avoid triggering a wage-price spiral and diluting the initial impact of the devaluation, the government applied a restrictive wage policy in the public sector, which included wages in state enterprises. Real gross wages and net wages fell by 9 and 12 percent respectively in 1995.

The successful implementation of the March 1995 package has put Hungary in a solid position to complete the task of restoring internal and external balances. Hungary's economy needs to grow at an average annual rate of 4-5 percent by the end of this century to satisfy societal demands as the country moves toward integration with the European Union. Moving to such a growth path will require higher rates of domestic savings and investments as well as significant improvements in overall productivity. At this stage of Hungary's economic transition, it is essential to achieve improvements in public finances rapidly enough to produce a positive impact on debt and growth dynamics.

POLITICAL OVERVIEW

Hungary has a unicameral elected government which is presently a coalition dominated by the Hungarian Socialist Party. In order to secure Hungary's membership in the EU and NATO before the end of this century, the coalition government must pursue an International Monetary Fund (IMF) backed austerity program. However, the government must also face the harsh consequences of these policies: a reduced standard of living, eroded state funding, expensive imports, and a relatively stagnant economy. Recent efforts to improve relations with neighbouring Romania and the Slovak Republic (both countries have Hungarian minority populations) have been unpopular with nationalists. The government response has been to vacillate between national and international political interests, managing to satisfy neither group. The overall political picture is fairly stable, and by the time elections are held in 1998, the economy is predicted to have rebounded significantly.

TRADE POLICY

Hungary is a member of EFTA (European Free Trade Agreement); CEFTA (Central European Free Trade Agreement, whose members include Poland, the Czech Republic, Slovenia, Slovakia and Romania); and is a member of the World Trade Organization (WTO). It also has an association agreement with the European Union (EU), the first step to becoming a full member. Negotiations regarding Hungary's full acceptance into the EU could begin in 1998. Hungary joined the OECD in 1996, becoming the 27th member and the second former Soviet-bloc country to join after the Czech Republic. Hungary is expected to be invited to join NATO in 1997.

Total trade between Canada and Hungary reached \$84.7 million in 1995, an increase of 12 percent from 1994. Imports from Hungary reached \$45.1 million, a decline of 3 percent from the previous year, while exports from Canada were \$39.6 million, an increase of 36 percent. Total Canadian foreign direct investment in Hungary is about \$250 million.

There are indications that the transition to a market housing system had a positive impact on housing mobility. In 1992, the production of 100 new units created 80 to 90 moves, more than double that of a decade earlier. This figure is slightly less than the 150 to 200 moves generated in a fully functioning market economy.

Owner-occupied homes form 86 percent of the housing stock nationally, 65 percent in Budapest. There are fewer households per dwelling in Budapest, regardless of the tenure form. Public rental units are overwhelmingly in mid- and highrise pre-cast apartment buildings, while 71 percent of owner-occupied units are single-family buildings.

The quality of Hungarian housing is fairly high. In fact, more flats have a bath, than in either Greece or Portugal, and there are a higher number of flats per thousand inhabitants than in either Austria or Luxembourg. There is no absolute shortage of housing units in Hungary, since the number of households roughly equals the number of housing units. However, the shortage of quality housing, and the 17 percent of households living in overcrowded dwellings, are significant issues. The lack of physical infrastructure, especially sewerage, and problems arising from deferred maintenance, are two areas that need addressing. The average size of a flat is 73 m^2, with an average household size of 2.2 persons, and 1.1 persons per room. Table 3 shows housing conditions by tenure type in 1994.

On aggregate, the percentage of units not served by full utilities in 1990, was 19 percent; a considerable improvement over the conditions in 1970, where 66 percent of all flats lacked either a private bath, piped water or central heating. In

Table 3:
Housing Conditions by Tenure Type, 1994

Tenure Type	Percentage of the Housing Stock	Household/ dwelling	m^2/ Person	Persons/ Room	Number of Units (000s)	Units in Single-family Buildings (%)	Units in Multi-family Buildings (%)
Public Rental*	13.0	1.07	25.1	1.1	485	3.0	97.0
Budapest	33.0	1.04	NAV	1.0	262	0.0	100.0
Private Rental*	1.0	NAV	NAV	NAV	34	NAV	NAV
Budapest	2.0	NAV	NAV	NAV	10	10.0	90.0
Owner-occupied*	86.0	1.05	33.1	0.9	3,470	71.0	29.0
Budapest	65.0	1.04	NAV	0.9	547	30.0	70.0
Other*	NAV	NAV	26.5	1.1	NAV	NAV	NAV
Budapest	NAP	1.00	NAV	1.1	2	NAV	NAV
Total*	100.0	1.06	32.1	0.9	-	-	-
Budapest	100.0	1.04	NAV	0.9	-	-	-

NAV - Not Available
NAP - Not Applicable
* National data.
Source: MRI, 1996

Table 4:
Housing Quality Characteristics (Based on a total stock of 3,955,000 units, 1995)

Housing units per 1,000 people*	385
Budapest**	406
Piped water in % of flats*	82.9
Budapest**	98.5
Bath or shower in % of flats*	85.9
Central or modern heating in % of total housing*	78.1
Housing built since 1960 (%)*	56.5
Budapest**	47.9

* National average, 1994.
** Budapest, capital city, 1995.
Sources: MRI, 1996; Hegedhs et al., 1996

rural areas, approximately one third of the dwellings have no hot water or sewerage connections, and only 12 percent have indoor plumbing. Almost half of the housing stock is considered obsolete, although habitable. Twenty-two percent of all Hungarian housing is considered substandard, with 25 percent of owner-occupied housing considered substandard. The most common difficulty, affecting 22 percent of all households, is with piped water of either poor quality or unreliable supply. Table 4 shows housing quality characteristics in 1995.

Overview

There are significant changes taking place in Hungary's housing sector. Rental property, which represented nearly half of all Hungarian urban housing stock, is now largely privatized. The Hungarian government no longer allocates housing, or plays a significant role in maintenance, operations or distribution. Instead, it has down-loaded the ownership of housing to local governments; at the same time a private property market is emerging.

The withdrawal of state financial support for the sector, the restitution (in kind) and privatization of state-owned housing, and the privatization of construction and building material production facilities, have resulted in fewer restrictions in the market. The means of financing housing have also changed. However, since the state housing output was large, the withdrawal of funding has had the effect of depressing production, and reducing overall employment in the sector.

The combined effects of economic recession, and the reduction in both public and private sector investment in housing, have resulted in a decrease in gross investment in the sector from 4.2 to 2.8 percent of GDP. The total value of investment in the construction sector in 1994, was 11 percent lower than in 1989 however, indicating a slight turnaround. Table 5 shows housing investment in Hungary for the period 1990-94.

Housing as a National Priority

Roughly two thirds (approximately 480,000 units) of the eligible public rental housing stock had been privatized by the end of 1995. Since the nature of sales is determined by local governments, there have been a variety of approaches taken, although typically high discounts on the sales price are normal. The Rental Housing Act made it compulsory in the 1994-95 period to set the sales price an average 33 percent less than the estimated market value of flats. Some municipalities however, retained a larger portion of public rental stock to be targeted towards poorer families while others tried to reduce the stock of rental housing as much as possible. Because the state also withdrew the budget subsidies for the maintenance of rental housing along with the transfer of ownership, the privatized stock has, in many cases, suffered from deferred maintenance. The Hungarian government intends that the privatization program be virtually complete by the end of 1997.

The largest 36 firms responsible for managing and maintaining housing (IKVs), administer some 83 percent of the former public housing stock. Local governments inherited the ownership of these companies along with the ownership of the housing. Many of these IKVs are now joint stock companies and have undergone structural reorganizations. In some cases the employees are now shareholders. However, no IKV has been privatized by a local government.

Property, that was nationalized after 1948, is restituted by means of vouchers to its former owners or their heirs. The value of the vouchers reflects the damages incurred by the former owners. Little data is available on the impact of restitution on housing; however it has had a profound impact on farmland with more than 2 million hectares (about 25 percent of total arable land) being restituted in kind. Vouchers can be used to purchase land at auction. Farm lands cannot be converted to non-agricultural uses for five years after purchase.

Table 5:
Housing Investment 1990-94 (US$ million)

	State and Local Government	Co-operatives	Private Persons and Institutions	Total	Share of GDP
1990	96	0	1,295	1,391	4.2
1994	40	0	1,150	1,190	2.8

Source: MRI, 1996

Prior to reforms, Hungary had the highest state housing subsidy in the world with 17.2 percent of the national budget directed to the sector. Housing subsidies currently account for approximately 4 percent of total government expenditures and were 5 percent of GDP in 1994. Subsidies were based on a general notion that the average household, with an average income, should be able to buy an average size, government-built unit. In 1989, the Hungarian government lifted the restrictions on real property, allowing private development. Consequently, the number of housing units eligible for the subsidy increased. Since that time, the government has taken a number of additional measures to reduce housing subsidies.

However, there are some indirect subsidies remaining. Local governments and some employers offer grants or interest-free loans to households to build or buy homes. In 1994, this government program had a budget of HF 10 billion (in April 1996 the average exchange rate was 108.471 HF=$). Although there is no longer a system to claim back a portion of the value-added tax (VAT), there is a tax deduction for home loan repayments. Various mortgage-related subsidies include paying a percentage (1-4 percent) of the outstanding loan balance each year, for loans under HF 1.5 million, for a period of up to 15 years.

Utility subsidies are being phased out and most prices are approaching world levels. Utility price increases scheduled for 1996 were postponed, a political move by the prime minister to garner popular support according to some analysts. In 1995, electricity prices increased 71 percent and natural gas by 30 percent, while telephone rates increased 10 percent. While the Consumer Price Index (CPI) rose 312 percent between 1989-94, energy prices rose by 438 percent, with an additional increase of 40 to 70 percent occurring in 1995.

Under the Social Act, the Hungarian government forced local governments to establish a housing allowance program to assist poorer households. In addition, a grant for the disabled to convert or build appropriate housing was introduced.

There have been substantial regulatory changes in the housing sector since 1989. Rents levied on private apartments were decontrolled, and as a result they now average ten to twenty times the rents charged on the remaining public flats. The Housing Act of 1993 facilitated the eviction of tenants for the non-payment of rent and removed the requirement that in order to evict, landlords must first find alternate accommodations. The Property Transfer Act gave ownership of the state-owned housing to local governments, and the Local Government Act gave sitting tenants the right-to-buy (or right of first refusal) the newly privatized apartments. A new construction law is anticipated in 1997. After legal changes initiated in 1989, it became possible to own more than one home, although the share of private rentals is still very low.

Key Housing Market Institutions

Prior to a reorganization, responsibilities for all aspects of the housing sector were administered by four national ministries. However, since 1995 the government has assigned the responsibility for housing to the Ministry of Finance and a newly formed Housing Policy Council. The general policy direction taken is towards the reduction of expenditures by the state and the devolution of responsibility to local governments. Building regulations and permits are administered at the local level and there are no significant hindrances to development.

State of the Local Housing Market

By 1994 the housing output had fallen to less than one third of its level in the 1980s. This decrease has been accompanied by a significant change in the types of housing constructed. New, large highrise housing estates (along the Soviet model) are no longer a popular construction style. The self-built and self-help sector has also declined but not as significantly as the government sector. Private developers cater mostly to the luxury residential market. However, there are signs that a turnaround has occurred, as the number of building permits in 1995 increased by 93 percent over 1994 levels, with the majority issued for single-family dwellings.

Table 6:
New Housing Units by Type of Developer

		1980	1990	1994
National	Government	30,337	3,461	620
	Co-operatives	0	602	420
	Private Individuals	42,480	31,291	18,128
	Total	72,817	34,752	19,168
Budapest	Government	7,781	836	304
	Co-operatives	0	0	199
	Private Individuals	9,217	2,813	1,819
	Total	16,998	3,649	2,322

Source: MRI, 1996

Private individuals account for a significant share of total output of new units. Self-built housing forms the majority of these units. The average value of self-built units in 1990, was HF 1.75 million (approximately US$30,000). Up to 20 percent of the costs of a typical self-built unit could be covered by government subsidies. Table 6 shows the distribution of new housing units by type of developer.

Local governments are the major suppliers of serviced land. Public lands are sold in three ways: for cash; for a down payment plus instalment payments; or in exchange for some of the completed units. Some local governments are servicing their available lands in order to sell them on the market. Land prices in Budapest range from HF 10,000-25,000 per m^2 for the most desirable locations, to HF 1,000-3,500 in the suburbs. With decreased housing demand, the lack of serviced land previously experienced in the early stages of the transition period has ceased to be a major bottleneck in construction.

There has been a dramatic decrease in the number of new units constructed and an increase in construction costs. In spite of higher costs, average unit size increased 12 percent nationally, and 22 percent in Budapest between 1990-94. Twenty-three percent of new homes have two or more bathrooms. Construction time has decreased by up to 60 percent following the introduction of modern technologies. Table 7 provides statistics on housing production, land and development costs.

In the luxury housing market, sale prices are in the range of HF 120,000-140,000 per m^2. An average new home price is approximately $600 per m^2, of which 60 percent is material cost and 40 percent labour. Recent surveys suggest a profit margin of 25-30 percent. However, construction costs are difficult to forecast and estimates do not remain valid for long because of inflation and the uncertainty about the cost of building materials.

Table 7:
Housing Production, Land and Development Costs

	New Units Per 1,000 Population			Land Cost[1]	Construction Cost[2]			New Unit Size, m^2		
	1990	1994	%1990/ 1994	1994	1990	1994	%1990/ 1994	1990	1994	%1990/ 1994
National	4.2	2.1	50	NAV	395	570	144	90.0	101.0	112
Budapest	NAV	NAV	NAV	15-30	NAV	640	NAP	76.6	93.7	122

NAV - Not Available
NAP - Not Applicable
1. Defined as the land price as a percentage of the total house price (including land price) for typical newly constructed units.
2. Defined as the present replacement cost (labour, materials, on-site infrastructure, management and contractor profits) in US$ per m^2 of a median priced dwelling unit.
Source: MRI, 1996

MATERIALS, LABOUR AND FINANCING

Overview

In 1994, the output of the construction industry was 12 percent of GDP. This is an impressive figure for an industry that has undergone significant changes. The number of firms has increased dramatically, while overall employment in the sector has decreased from 327,000 in the 1980s to 125,000 in 1994. The old, vertically integrated state construction monopolies, have become smaller entities through privatization. These include separate land holding companies that operate as design builders; construction companies whose primary service is the provision of construction financing; and small builders who may provide partial financing and produce five to fifteen units per year. Table 8 shows the structure of the building industry in 1994.

Table 8: Structure of the Building Industry, 1994

Indicator	Number
Public Corporations	100
Public Employees	9,200
Private Corporations	9,427
Private Employees	116,000
Companies with:	
0-49 Employees	8,619
50-99 Employees	829
100+ Employees	79
Total Employees	125,200

Source: MRI, 1996

The majority of building and materials production companies have been privatized and one third of the investment in this sector is foreign capital. While the housing sector underwent a dramatic reduction in output, other sectors in the construction industry such as commercial and hotel development have been less affected. In fact, a report from ING Barings said that Hungary's building industry was poised to grow by 3 percent in 1996, due to a number of large (non-residential) infrastructure projects, including Canadian involvement in airport development.

The self-help sector has provided significant competition for developers, given labour costs are lower and there is no business overhead. In the self-help sector, as well as in other areas of the industry, the use of "under-the-table labour" is pervasive. These workers save builders social security, profit and VAT taxes.

Materials

Hungary is a significant producer of building materials. In 1995 alone, the country saw a 24-percent growth in exports. In spite of the general slowdown in construction activity in the post-1989 period, the consumption of some materials actually increased. This was due to the legal recording of materials trade for taxation purposes. The local production of building materials in 1992 is presented in Table 9.

Table 9: Local Production of Building Materials, 1992

Material	Quantity
Bricks	1,089 (million)
Concrete Blocks	51 (million)
Thermal Insulation	18 (1,000 t)
Sheet Glass	32,807 (1,000 m^2)
Lime	508 (1,000 t)
Ready-Mixed Concrete	2,084 (1,000 t)
Structural Steel	1,541 (1,000 t)
Sawn Wood	173,000 m^3

Source: UN, 1995

Labour

Construction labour is readily available at a relatively low wage, although it is difficult to obtain reliable data, because as much as 15 percent of the construction industry work-force may be working under-the-table in order to avoid taxation. Hungary's civilian labour force of 4.5 million workers are highly educated, with about two thirds

having completed some form of higher education. The country is particularly strong in engineering and economics. Foreign investors have been impressed with the productivity, motivation and adaptability of Hungarian workers. While wages and productivity are comparatively lower by Canadian standards, the unit labour costs are positive. Unemployment nationally, is above 10 percent; however, there are considerable regional discrepancies. Some regions have a rate of more than 20 percent, while in Budapest the level is closer to 6 percent. Wage restraint policies are in place with unions, and average real wages fell by 7 percent in the first half of 1996 compared to the same period in 1995.

Financing

Although mortgage instruments exist, poor foreclosure legislation limits the percentage of housing that is purchased using credit. Recent improvements in foreclosure legislation may encourage lending institutions to accept more risk and higher ratio mortgages. A 1993 survey showed that across all housing types, homes were purchased with the following sources: 5-15 percent through government or employer subsidies; 10-20 percent through loans; and 65-85 percent through cash payments. Even households that qualify for the deepest subsidy must cover 40-50 percent of the cost of a home with savings, assets, or contributions from relatives.

Since 1989, the standard method of borrowing for house purchase has been an adjustable rate mortgage with interest rates determined by the central bank and the Ministry of Finance. A new mortgage instrument, the Deferred Payment Mortgage (DPM), where the buyer does not pay interest in the first few years but pays a higher rate later, holds some promise. However, a survey showed that on average, less than 30 percent of a typical house value was mortgaged during the period 1989-93. Approximately 74 percent of housing loans are made without a subsidy to the borrower.

There are also two subsidy programs now available: one for families with children and another for any purchaser. The family subsidy increases depending on the number of children in the household and provides a sum equal to 72 percent of the loan amount, up to a maximum of HF 500,000. The purchaser subsidy is equal to 27 percent, with no pre-set maximum. Various other mortgage related subsidies include paying a percentage (1 to 4 percent) of the outstanding loan balance each year, for loans under HF 1.5 million, for a period of up to 15 years.

Long-term credit is difficult to obtain as Hungarian banks are poorly capitalized. Nominal interest rates of approximately 25 percent (September 1996) also discourage bank exposure. Several banks have introduced contract savings schemes. These are dedicated savings accounts to be used for any housing-related expenditures including purchase or rehabilitation and are fairly attractive because of the tax advantages they offer. The government has no plans to introduce any new finance programs to stimulate housing construction.

HOUSING MARKET ACTIVITY, NEED AND DEMAND

Local Housing Activities

Real estate mobility remains low. Newly privatized or restituted property, the bulk of the principal market activity, totalled about 5,000 transactions in 1994. A multiple listing service (MLS) is being set up with the help of USAID. Anecdotal evidence suggests that real property prices are rising in accordance with the rate of inflation. Slight increases in demand were expected in 1996. The commercial real estate sector remains active, although prices and the number of transactions are expected to decrease.

Factors Affecting the Demand for Housing

Although there is no absolute shortage of housing units, evidence suggests that there is high demand for inexpensive, modern homes in urban areas, indicating a real need for 40,000-45,000 units per year. However, a number of factors will continue to affect demand including: the lack of adequate, affordable, long-term financing; the level of real incomes; and employment uncertainty.

Real wages declined by 7 percent during the first half of 1996 as compared to the same period in 1995 due to high inflation, resulting in weak domestic demand in all sectors of the economy. Gross wages actually increased by 20.6 percent for blue collar workers and by 18.8 percent for white collar employees. Housing costs have risen dramatically relative to income since 1989. Comparative rental and ownership figures for 1994 indicated that housing costs are lower in Budapest than the national average. Conversely, average rents are higher in provincial cities.

Across all tenure types in 1995, households on average directed 26 percent of their income towards housing costs, with one third spending more than 30 percent. Viewed in an international perspective, this is not an excessive amount. However, it is a significant increase for Hungary, where expenses, even in the early years of transition have been below 15 percent. As the house price-to-income ratios show, housing is relatively expensive in Hungary. The ratio varies regionally, with the highest rates in Budapest, as well as among low-income groups. Table 10 shows statistics on housing costs in the owner-occupied and rental sectors in Hungary in 1994.

Table 10:
Housing Costs in the Owner-occupied and Rental Sectors, 1994

	Public Sector Rentals (as a % of average income)			Owner-occupied
	Rent	Utilities	Rent and Utilities	Ratio of house-price-to-income
National	6.6	12.0	18.6	5.7
Budapest	5.0	12.0	17.0	6.8

Source: MRI, 1996

EXPORT OPPORTUNITIES AND STRATEGIES

Overview

Of the 129 Canadian construction firms currently active in Hungary, 19 are dealing with housing-related activities. Hungary is the third largest market in Central and Eastern Europe for Canadian building products, worth about $9 million between 1993-95. The total market decreased by 27 percent during the same period, but 1996 was expected to exceed 1995. Incomes are relatively high and there is significant private ownership of housing. The privatization of the public housing stock has proceeded decisively and the market is receptive to Canadian products.

The strongest growth category was in the export of tools and heavy construction equipment. However, all other categories lost value. In spite of the reduced sales volumes, the total is significant in comparison to other countries in the region. Canadian firms face strong competition from U.S., German, Austrian, Italian and Scandinavian firms, although Canada seems particularly strong in the value-added components and prefabricated housing markets. The Canadian involvement in Hungary is diverse and includes developers, service providers, joint ventures and importers. Table 11 shows the value of Canadian building material exports for the period 1993-95.

Export Opportunities

- **Provision of Luxury Housing:** The new wealthy, foreign expatriates, and the managerial classes are purchasing homes in the US$200,000-400,000 range in the best Budapest locations. Initial demand was quite high because of the lack of luxury housing in the market, as well as increasing incomes in the highest quintile. However, this is a limited opportunity and much of the demand is satisfied by local developers. A better prospect would be the supply of housing to the upper-middle class who can afford a home in the US$100,000-200,000 range. In particular, there are a number of tax advantages for consumers purchasing in this price range. Another opportunity exists in supplying components to the luxury builders.

Table 11: Value of Canadian Building Material Exports, 1993-95

	Prefab. Buildings	Wood Products	Doors and Windows	HVAC, Electrical, Mechanical	Roof, Floor and Wall Products	Finishes and Hardware	Misc. Building Products	Tools and Heavy Equipment
1993	659,619	465,702	37,660	2,021,466		48,928	28,189	424,849
1994	196,418	249,495		2,110,380	17,787	2,784		9,973
1995	135,350	169,941		1,522,496	2,043	2,511	13,375	52,710
Total 1993-95	991,387	885,138	37,660	5,654,342	19,830	54,223	41,564	487,532
% Increase 1994-95	–31	–32	NAP	–28	–89	–10	NAP	429

NAP - Not Applicable
Source: Industry Canada, 1997

- **Manufactured Housing:** Hungary is one of the most promising markets for manufactured housing in the region, despite the fact that it is neither a widely accepted nor widely desired technology. Between 1993-95, Canada exported almost $1 million worth of manufactured housing to Hungary. This was a primary export behind HVAC, electrical and mechanical components. Prices for a 120 m^2 house are reported to be in the range of $60,000-80,000. An exporter that can provide partial financing would probably capture a large share of this niche market.

- **Do-It-Yourself Market:** While this is a very promising subsector, it is extremely price sensitive. In terms of building products, the best prospects are in areas such as kitchen cabinets, pre-hung doors, drywall supplies and ceramic tiles, and the small consumer tools required for this type of work. Another opportunity is the establishment of retail outlets to serve the do-it-yourself market.

- **Rehabilitation and Energy Retrofitting of Pre-cast Concrete Buildings:** This represents a potentially significant opportunity beginning after 1998. Because the government is phasing out energy subsidies, and prices have nearly reached world levels, there will be a tremendous opportunity to retrofit buildings for greater energy efficiency and comfort. Although the owners of the units are unlikely to be able to finance this themselves, a number of organizations, including the EBRD and the International Finance Corporation, are willing to finance such ventures. Another obstacle to retrofitting is that the buildings remain occupied, and within the districts that require renovation the most, there is no alternate accommodation.

- **Provision of Temporary Housing:** A constraint to retrofitting concrete buildings is the lack of alternative, temporary accommodation for displaced residents. The Canadian experience in producing low-cost, temporary structures could be a significant opportunity, which could also enable other opportunities in the renovation of pre-cast concrete buildings.

- **Conversion or Restoration of Centrally-Located Buildings:** The restoration of historic buildings is very attractive because of their high marketability and resale price. Mixed-use commercial-residential buildings close to Budapest's central business district are particularly attractive. Such projects are often undertaken as joint ventures with the Canadian partner financing the restoration or conversion in exchange for a portion of future rents, a long-term lease negotiated with a broker, or an equity position in the building.

- **Alarm Systems:** Hungary is the top destination in the region for Canadian fire and security alarm systems reaching about 5 percent of total exports to Hungary in 1995. The market appears to be growing. Other types of home and small business security products, such as locks, are also well received, although it is still a price sensitive market.

Best Prospects

The building materials and products that are the best sales prospects are selected due to a combination of local need and demand, and the Canadian ability to supply these products. Some of these products are already available in Hungary, but Canadian products may be selling well, or offer a better price or quality. Based on an analysis of current information, the best sales prospects for 1996-97 are:

- alarm (security and fire) systems and domestic security technologies;
- manufactured housing and structural components (e.g., laminated beams);
- dimensional softwood lumber and softwood plywood;
- consumer and contractor tools;
- heavy construction equipment;
- exterior insulation and other insulation technologies for retrofitting pre-cast concrete panel structures;
- asphalt roof shingles;
- sanitary bathwares; and
- aluminum eavestrough.

Export Strategies

Two strategies are important for large-scale export success. First, due to the difficulty in mortgaging house purchases, as well as typical loan ratios of less than 30 percent, a number of developers offer financing with some form of indexation, and structured to make use of tax advantages. This approach will make Canadian housing exports attractive. Second, because Hungary's domestic production of building materials and components is good and varied, pricing, more than quality, is important in determining potential demand.

The Hungarian distribution networks are fairly well developed, in comparison to others within the region. The best and most common strategy for entering the market for building products is to work closely with a local distributor or commissioned agent who knows the intricacies of the local business environment. Joint ventures have also proven successful for many western businesses in Hungary. Joint ventures allow the Hungarian partner access to current technologies and capital. Canadians gain access to the local markets and to networks of contacts. The Hungarian tradition of cash payment for goods minimizes risk for Canadians.

Given that Hungary is Canada's third largest market for housing and construction products in Central and Eastern Europe, there is considerable potential for an ongoing and expanded role for Canadian exports. Nonetheless, there are several issues to consider:

- The business environment is changing rapidly for the better. This fluid environment creates great opportunities, however with commensurate risks.
- The attitude towards Canadian products is positive.
- There is less transparency in the business, legal and regulatory environments than in Canada and the best way to evaluate risk is to work closely with business experts operating in Hungary. Many international business and consulting firms offer risk assessment services, market surveys and expert legal counsel for Canadian exporters.

Overview

Hungary has made great progress towards political stability and restructuring, and these factors have made it a favourable destination for foreign investment.

As of January 1996, the Hungarian forint (HF) is fully convertible for current account transactions. The exchange rate is pegged against a basket of hard currencies. While the HF was devalued by 8 percent in late 1994, the average exchange rate is 108.471 HF:1$ (April 1996).

Hungary has a bilateral agreement with Canada and visa requirements were removed, allowing Canadians to stay in the country for up to 90 days, provided that they do not work or receive income while in the country. Otherwise, individuals must obtain the relevant business, work or income visa, and depending on the length of stay, obtain a residence visa. All foreigners must register with the Office of Foreigners Affairs.

Business Customs

Business customs are similar to those in North America and Western Europe. Typically, Hungarian business people prefer to develop a relationship on which to base a business connection. Some day-long meetings may involve extended luncheons sponsored with reputed Hungarian hospitality. During the summer months, business typically stops by mid-afternoon, and even earlier on Fridays. Office hours are generally Monday to Friday from 8:00 a.m. to 4:00 p.m. Industrial employers usually start earlier and finish earlier.

The official language is Hungarian, although English and German are spoken in business circles. English is regularly used in business contexts, with German coming in a close second. There are of course many firms, especially smaller, new firms whose principals do not speak English. In these instances, a translator is normally available. It is nonetheless prudent to ask in advance what translation provisions have been made for a meeting.

Hungarians address each other by their family names first, followed by their first names (e.g., Smith John). Business cards are presented in this manner unless printed in English. It is always advantageous to learn basic greetings in Hungarian. Even the most minimal efforts will impress Hungarian business partners. The official holidays in Hungary are as follows:

Table 12: Holidays

January 1	New Year's Day
March 15	Memorial of the 1948-49 Revolution and War of Independence
March/April (variable)	Easter Monday
May 1	May Day
May 19	Pentecost
August 20	St. Stephen's Feast
October 23	Proclamation of the Hungarian Republic
December 25-26	Christmas

Business Infrastructure

Hungary has an extensive road network totalling 158,711 km, including 69,992 km of paved road and 441 km of expressway. There are 1,622 km of navigable inland waterways as well as ports in Budapest and Dunaújvaros. Railroads total 7,785 km in broad, standard and narrow gauges, including 2,277 km of electrified railway. There are two major airports and 76 smaller airports. Natural gas and petroleum pipelines total 5,591 km.

Most major international airlines provide service to Hungary. Travel into the countryside will require either a rental car or a railroad trip. Hungary is crisscrossed by railway lines which connect most cities. A hydrofoil can be taken to Vienna.

In Budapest, there is a well-planned underground metro (3 lines) which is supplemented by a comprehensive bus, tram and trolley system. Taxis are also available; however, drivers often take advantage of foreign guests arriving at the airport or at major hotels by charging 2 to 3 times the normal rate. It is wise to ask the price in advance

to a destination (airport to downtown is approximately $20); or seek the advice of a local attendant.

Telephone service is steadily improving in Hungary. Long distance calling is fairly reliable; however, calls to the countryside or within certain locations in Budapest can be poor in quality or be disconnected. Budapest is serviced by two GSM cellular phone systems as well as by several paging services. The cellular systems cover the primary corridors across Hungary permitting travellers to maintain phone contact. Calling card services such as Stentor's "Canada Direct" can be accessed within Hungary by dialing a special access code number.

Distribution and Sales Channels

Hungary is fairly advanced in terms of established distribution networks in comparison to countries within the region. The use of agents and distributors is the most sensible approach for Canadians entering the market. There are also sales opportunities at various construction and housing trade shows, where there is a tradition of sales closing "off the floor". Many Hungarians appreciate the opportunity to inspect products before purchase. Trade literature in Hungarian is highly recommended.

Hungary's distribution system is slowly being overhauled. Traditionally, the service-oriented supply chain had been rigidly segmented: production; intermediate services (i.e., transport, finance, insurance); wholesaling; and retailing. In changing to a new market environment, the lines of demarcation between these sectors is blurring. This is especially true in the consumer goods market segments. For industrial products and raw material markets, progress toward a Western-style distribution system is moving at a slower pace.

The wholesale consumer products sector was controlled by several state-owned companies that operated regionally across Hungary with marginal consideration for consumer needs. In a reversal of those times, private competition has intensified with many smaller and medium-sized companies filling market niches and offering integrated services.

A trend in Hungarian marketing is a new-found responsiveness to consumer demands in such areas as quality, price consciousness, as well as environmentally safe products. Consumer campaigns, special offers and discounts are becoming more common marketing practices in Hungary today.

A major drawback to doing business in Hungary for local entrepreneurs is the difficulty of obtaining business loans. Interest rates are approaching 40 percent and collateral requirements are onerous. As a result, smaller start-up businesses are capitalized by family savings. Another issue for local entrepreneurs is the lack of reasonably priced commercial space. Much commercial real estate is still owned by municipal district councils, with renters taking full advantage to sublet at exorbitant rates.

Finding a Partner

The use of agents and distributors is a basic method of market entry for foreign firms. In some instances, North American or West European managers spearhead the entry and later turn management over to local staff. In other instances, operations may not require the transplanting of foreign managers and instead hire the initial management team locally. On the latter point, common wisdom prescribes that despite a Hungarian work-force that is on the whole quite competent and skilled, the greater the training invested in staff, the greater the chances for successful operations.

Hungary has benefited from a steady stream of newly trained business graduates, taught at schools modelled on North American MBA programs. In addition, Hungary has drawn many North Americans with MBA backgrounds seeking challenging positions; some are coming to Hungary with substantial work experience. It is difficult to find top managers familiar with Western business practices or with Western experience but in comparison to the rest of Central Europe, Hungary has more than its share of successful business talent.

Joint Ventures and Licensing

The term "joint venture" is used in Hungary to refer to any venture which involves foreign participation. In the broadest sense, Canadian

business strengths combined with Hungarian assets (not the least of which is a reputation for ingenuity) can create a powerful business operation. However, Canadian partners need to gauge all aspects of such a business relationship such as a lingering legacy of inefficiencies. Some joint ventures can become mired in the partner's old-style management or in a passive resignation to bureaucracy. Where the operation is still in state hands, a forthcoming privatization may pose concerns or disruptions for the joint venture.

Promoting an efficient work-force, or taking hard decisions on employment levels requires continuity and shared goals on behalf of all parties in management. The time and effort spent in achieving these goals can be substantial and should be weighed against such alternative business options as a contractual relationship, the privatization of the target partner, or a Greenfield operation.

In establishing a joint venture, the following information must be submitted to the local Court of Registration: name, headquarters, initial capitalization, members and shares, and the articles of association (deed of foundation for single person companies). The articles of association must be countersigned by a Hungarian lawyer. The founding of the company must be reported to the court within 30 days. Following submission of the information, the court will act on the submission within 60 days. If this period has expired without the foundation being challenged by the court, registration of the company is assumed approved. The registration fee charged is 2 percent of initial capital or a maximum HF 90,000. Pursuant to the law, the company is required to announce its creation in an official gazette.

Establishing an Office

In Hungary, the majority of new businesses with foreign participation are incorporated as limited liability companies. Other options include the public limited company, general or limited partnerships and joint ventures. All companies must be registered, a process which takes 60 days on average, although it may take slightly longer in Budapest; registration fees are equal to 2 percent of the initial capital, subject to a minimum of HF 5,000 and a maximum of HF 300,000. The minimum capital required for a limited liability company is HF 1 million, and for a public limited company HF 10 million.

Broadly speaking, foreign companies may either operate as Hungarian companies or as representative offices. Hungarian companies are covered by the full spectrum of Hungarian business and investment legislation. Representative offices, however, may only offer a limited range of services such as mediation, business research and contract preparation; they may not import, export or manufacture goods.

A commercial office must be registered with the local Court of Registration. Hungary has the highest cellular telephone usage in Eastern Europe, probably because there is a waiting list of 12 to 15 years to obtain telephone service. Much of the most desirable commercial real estate is still owned by municipal councils, and the rents are quite high.

Representative offices do not provide legal protection to foreign companies. Activities may include: negotiation of commercial contracts; maintenance of consignment stocks and customer service related to these products; informational and promotional activities.

An information and service office is not permitted to engage in trade, but is allowed to disseminate information about the firm's products and service, provide technical support and advertise. The words "trade" or "trading" cannot appear in the company's name. All businesses in Hungary must obtain a tax number from the National Bank.

Foreign business representatives in Hungary should be advised that establishing personal residency is becoming increasingly onerous as the government attempts to crack down on illegal residents.

Selling Factors and Techniques

Brand awareness is not equal to Western European levels, although purchasing decisions are increasingly subject to sophisticated print and electronic media techniques. Billboards and kiosks are layered with the latest ads, skewed to young people and the rising middle class, with promotions of "trendy" Western life-styles. For the majority of Hungarian consumers, price and

traditional habits (i.e., frequenting the local shopkeeper) still largely govern purchasing habits.

Advertising and Trade Promotion

Most Hungarian firms engage in some form of advertising. The leading users of advertisements are subsidiaries of international corporations, especially in the consumer product sector. The most popular media (in order of preference) are television, radio, press, and outdoor billboards or signs. The best advertising value for housing-related products is in various trade magazines and product catalogues.

Pricing Products

Most government subsidies and price supports for consumable products have been eliminated; the state does support basic services such as utilities however, recent price increases are bringing rates in line with costs. Otherwise, prices are determined by market forces. Other factors affecting pricing are duty surcharges for imported products and inflationary pressures.

Sales Service and Customer Support

In general, sales service and customer support is not a strong suit of the consumer trades. However, with increasing penetration by Western firms and stiffer competition for value-added services, responsiveness to customer needs and demands is growing. Operations that deal with the professional business public are forging ahead with many new customer-oriented techniques.

Selling to the Government

Pursuant to Hungarian law, government procurement must be competitively bid upon. A new procurement law was recently passed which should introduce more transparency and reduce inequities in government purchasing.

Protecting Your Intellectual Property

Hungarian legislation provides protection for a 20-year period under condition that the patent be used within 4 years of the date of application or 3 years from the date of issue.

Hungarian intellectual property law is similar, in certain respects, to that of Germany. Hungary has signed a comprehensive intellectual property rights agreement addressing issues such as copyright, trademarks and patent protection. There is a process for registering trademarks, which reportedly may take more than six months. Because the country is a member of WIPO as well as a party to several international treaties, intellectual property is considered well protected. Foreigners are required to appoint a local lawyer to represent them. Registrations are valid for 10 years and can be renewed.

Need for Local Legal Assistance

As a standard practice, local legal counsel should be retained when firms are contemplating an investment, joint venture or other complex business arrangement. Other forms of business may not expressly require local counsel, but such services are in general always advisable. All legal work in Hungary must be conducted by an attorney accredited to work as a lawyer in Hungary. Many contracts require notarization as well.

Regulatory Issues

Investment incentives: There are extensive provisions in the Foreign Investment Act protecting both foreign, domestic and joint venture companies, from nationalization and expropriation of assets. A business does not need permission from the foreign exchange authorities to have foreign participation. Foreigners may purchase only registered shares in stock companies. Proposed regulations state that government permission for foreign participation in financial institutions will no longer be required. There are no restrictions on foreign investment, and foreigners and Hungarians are offered a level playing field in terms of acquiring a company by cash payment, or by contributions in kind. Generally, foreign cash contributions must be paid in a convertible currency. Joint ventures may import capital goods duty-free. The government has identified high priority regions of high structural unemployment, and a number of incentives may apply in these zones. Investment tax credits exist, which may under certain circumstances, be claimed for up to 5 years; a 100-percent or 30-percent depreciation rate may

be claimed for certain machinery, and a 10-percent straight-line depreciation may be claimed for buildings.

Duty-free Zones: A number of duty-free zones have been established, and firms inside them operate under special regulations which allow them to be treated as offshore entities. In terms of customs duties, foreign exchange and trade regulations, these firms are deemed to be in foreign territory. Therefore, the firm is expected to maintain its business records in the foreign investor's currency, and negotiate contracts in convertible currency. These firms are limited only by the regulation that they must keep an amount equal to their share capital, deposited in a Hungarian financial institution.

Taxation: Canada has a double taxation treaty with Hungary that specifies a tax of 15 percent on dividends, 10 percent on interest, and 10 percent on royalties. Corporate taxation consists of an 18-percent corporate tax and a 20-percent tax on dividends applicable if they leave the country. Tax reductions are available to all companies to offset loan costs for approved capital, export-related or environmental projects. Beginning in 1996, investors received an investment tax credit equal to 9 percent of the corporate tax for the year the credit is claimed, provided the firm made an investment of at least HF 1 billion. If the firm meets minimum export targets in future years, the credit may be claimed for 5 subsequent years. Twenty percent of research and development expenditure can be deducted from the base amount used to calculate corporate tax. Personal income tax ranges from 20 percent, to a maximum of 42 percent, down from 48 percent in 1995.

Repatriation of Profits: The Hungarian Investment Act guarantees foreigners the right to repatriate profits in the forms of after-tax profits, royalties, fees or other income. Expatriate employees can also transfer a portion of salary abroad. There is no queuing for foreign exchange and there are no known instances of delay

Real Estate: Hungarian property rights are similar to those throughout Western Europe. Foreigners may own non-agricultural real property with the permission of the local municipality. A registered company with foreign participation may acquire real property only to the extent needed for the company's commercial activities. The buying and selling of real estate as a primary business activity is permitted only when specifically sanctioned by the government. Since 1990, there have been no expropriations of foreign-owned assets. In fact, foreign-owned assets are protected under the Hungarian Constitution, in a clause which states that only under exceptional circumstances will expropriation occur, and if it does, full compensation is due.

Direct Exporting: Virtually all products may be freely imported into Hungary without an import licence. Merchandise to be imported or exported to or from Hungary requires a customs declaration. The content of the declaration varies according to the means of transportation of the goods, but generally includes a description of the goods, an invoice, permit, certificate, and consignation information. The Ministry of Industry and Trade can take anti-dumping measures if imported goods are deemed to have been dumped, causing harm to Hungarian suppliers of similar goods. An anti-dumping tariff may apply for a maximum of 5 years. Additionally, the Ministry may impose an import quota, or a requirement that the exporter of the goods commit to specified quantities or prices, for a maximum of 1 year.

All import contracts exceeding HF 2 million must by law be secured by a letter of credit from the Hungarian National Bank (HNB). The HNB requires the importer to deposit the full amount of funds prior to issuing a letter of credit, so there is virtually no risk for the Canadian exporter. Letters of credit are open for a period of time to cover shipping and inspection, and are paid out shortly after receipt of the goods.

Customs Duties: There are different customs tariffs for private individuals (goods for non-commercial purposes) and foreign trade (commercial goods). Tariffs vary according to the country of origin. Because Hungary has been a member of the General Agreement on Tariffs and Trade (GATT) since 1973, there are no quota limits placed on the import of Canadian goods. The customs value (as determined by the terms of the GATT Value Agreement) of merchandise is the basis for customs duty; Hungary's average tariff rate for most-favoured nations is 13 percent. A customs clearance fee of 2 percent, and a 3-percent

statistical duty are charged. These three charges are added together in order to obtain the value to which value-added tax (VAT) applies. Certain merchandise may be imported duty-free, if it is imported directly by distributors; duty-free articles are described in the Hungarian Customs Code.

Product Certification: There are two types of Hungarian standards: national and sectoral. The national standards conform to international standards. Since Hungary is a signatory to the GATT Standards Code, and through its agreements with both the EU and the ISO, product certification is moving towards ISO 9000 standards. Sectoral standards are issued by the central government agencies.

EDC Financial Risk Assessment

The Export Development Corporation (EDC) helps Canadian companies compete in world markets through the provision of financial and risk management services. These include export credit insurance, financing to foreign buyers of Canadian goods and services, and guarantees.

The following information was obtained from the EDC Country Risks and Opportunities *book (fall, 1996).*

These issues should be taken into consideration when assessing financial risk in Hungary:

- Buoyed by improving economic indicators, newly acquired OECD membership and a pledge of negotiations for EU accession in 1998, Hungary's government is determined to continue with economic reform. The current administration does not have to face the electorate until 1998, and thus can afford to maintain politically unpopular economic policies which have already resulted in a turnaround in economic indicators.
- An adjustment effort undertaken by Hungary since March 1995 is bearing fruit. The 1996 current account deficit is likely to be halved from two years ago; the ratio of external debt to GDP has dropped below 70 percent: and progress has been made in redressing the fiscal imbalance. Reserves remain at 8 months' worth of imports, far above the 3 months' minimum comfort level.
- Gross foreign debt was forecast to fall to 67 percent of GDP in 1996, versus 71 percent in 1995. Debt service is also falling, from 61 percent in 1994, 53 percent in 1995, and 44 percent in 1996, and will continue falling to around 33 percent in the year 2000. Thus, the "debt hump" is passed.
- But there has also been slippage in the adjustment efforts. Inflation is proving more deeply ingrained than expected, and was expected to remain at around 20 percent in 1996.

The overall collection experience in Hungary is good. A full range of trading terms is common. Commercial credit worthiness is still very difficult to determine due to the lack of accounting standards and privatization.

REFERENCES

AEB (American Embassy Budapest) (1996) *1996 Country Commercial Guide: Hungary* Budapest: AEB.

Agovino, Theresa (1996) *Construction Industry Rebuilding Itself* Ottawa: Industry Canada, Strategis EDC (Export Development Corporation) 1996 Country Risks and Opportunities Ottawa: EDC.

CEER (Central European Economic Review) 1996 *Bricks and Mortar, April* CIA (Central Intelligence Agency) (1996) Country Map of Hungary CIA: Washington.

CUI (Canadian Urban Institute) 1997 *Research on Housing Opportunities in Central and Eastern Europe Ottawa: Canada Mortgage and Housing Corporation.*

de Melo, Martha et al. 1995 *From Plan to Market: Patterns of Transition, World Bank Policy Research Working Paper Series* Washington: World Bank.

EBRD (European Bank for Reconstruction and Development) 1996 *Transition Report Update April 1996* London: EBRD Economist (The Economist), March 2, 1996.

EIU (Economist Intelligence Unit) 1996 *Hungary Country Report* London: Economist Intelligence Unit, third quarter, 1996.

Ernst (Ernst and Young) 1996 *Doing Business in Hungary, 1996* Budapest: Ernst and Young International Business Series.

Gaspar, Anna (1995) *Hungarian Overview for Euroconstruct Conference* Budapest: Euroconstruct.

Hegeds, Jozsef et al. (1996) *Uncharted Territory: Hungarian Housing in Transition in Economic Restructuring of the Former Soviet Bloc: The Case of Housing,* Raymond J. Struyk ed.

Industry Canada *Strategis: Industry Canada Online & Trade Data Online, Web Site* http://strategis.ic.gc.ca

Mark, Katherine, 1995 *The Hungary Program: Accomplishments and Prospects in USAID Assistance to the Housing and Urban Sectors, 1990-95* Washington: The Urban Institute.

MOF (Hungarian Ministry of Finance) 1996 *Proposal on the Housing Policy Concept* Budapest: MOF.

MRI (Metropolitan Research Institute) 1996 *Regional Housing Indicators Database in the Transitional Countries of Central and Eastern Europe* Budapest: Metropolitan Research Institute.

UN (United Nations) 1995 *Annual Bulletin of Housing and Building Statistics for Europe and North America* Geneva: Economic Commission for Europe.

USDOC (United States Department of Commerce) 1996 *1996 Country Commercial Guide: Hungary* Budapest: USDOC Country Team.

USDOC (1995) *Hungary Real Estate and Property-ISA9308 Budapest:* USDOC International Trade Administration.

World Bank (1995) *Hungary: Structural Reforms for Sustainable Growth* World Bank Country Study Washington: World Bank.

Canada Mortgage and Housing Corporation

Housing Export Centre	700 Montreal Road Ottawa, Ontario K1A 0P7	Tel.: 1-800-465-6212 or (613) 748-2000 Fax: (613) 748-2302

Canadian Government Departments and Services

Department of Foreign Affairs and International Trade (DFAIT)	InfoCentre Lester B. Pearson Building 125 Sussex Drive Ottawa, ON K1A 0G2	Tel.: 1-800-267-8376 or (613) 944-4000 Fax: (613) 996-9709 FaxLink: (613) 944-4500 InfoCentre Bulletin board: Tel.: 1-800-628-1581 or (613) 944-1581
	Central Europe Division (REC) 125 Sussex Drive Ottawa, Ontario K1A 0G2	Tel.: (613) 992-1449 Fax: (613) 995-8756
Canadian Commercial Corporation (CCC)	50 O'Connor Street, 11th Floor Ottawa, Ontario K1A 0S6	Tel.: (613) 996-0034 Fax: (613) 995-2121
Canadian Embassy	Kiralyhago Ter 8-9 H-1126 Budapest XII, Hungary	Tel.: (011-36-1) 156-1251 Fax: (011-36-1) 155-8650

International Trade Centres

Newfoundland	International Trade Centre P.O. Box 8950 Atlantic Place 215 Water Street Suite 504 St. John's, NF A1B 3R9	Tel.: (709) 772-5511 Fax: (709) 772-5093
Prince Edward Island	International Trade Centre P.O. Box 1115 Confederation Court Mall 134 Kent Street Suite 400 Charlottetown, PE C1A 7M8	Tel.: (902) 566-7443 Fax: (902) 566-7450
Nova Scotia	International Trade Centre P.O. Box 940, Station M 1801 Hollis Street Halifax, NS B3J 2V9	Tel.: (902) 426-7540 Fax: (902) 426-5218
New Brunswick	International Trade Centre 1045 Main Street Unit 103 Moncton, NB E1C 1H1	Tel.: (506) 851-6452 Fax: (506) 851-6429
Quebec	International Trade Centre 5 Place Ville-Marie Seventh Floor Montreal, PQ H3B 2G2	Tel.: (514) 283-6328 Fax: (514) 283-8794
Ontario	International Trade Centre Dominion Public Building 1 Front St. West Fourth Floor Toronto, ON M5J 1A4	Tel.: (416) 973-5053 Fax: (416) 973-8161
Manitoba	International Trade Centre P.O. Box 981 330 Portage Avenue 8th Floor Winnipeg, MB R3G 2V2	Tel.: (204) 983-5851 Fax: (204) 983-3182

International Trade Centres (cont'd)

Saskatchewan	International Trade Centre The S.J. Cohen Building 119-4th Avenue South Suite 401 Saskatoon, SK S7K 5X2	Tel.: (306) 975-5315 Fax: (306) 975-5334
Alberta ** Edmonton office is also responsible for Northwest Territories*	International Trade Centre Canada Place 9700 Jasper Avenue Room 540 Edmonton, AB T5J 4C3	Tel.: (403) 495-2944 Fax: (403) 495-4507
	510-5th Street S.W. Suite 1100 Calgary, AB T2P 3S2	Tel.: (403) 292-4575 Fax: (403) 292-4578
British Columbia **Vancouver office is also responsible for the Yukon*	International Trade Centre 300 West Georgia Street Suite 2000 Vancouver, BC V6B 6E1	Tel.: (604) 666-0434 Fax: (604) 666-0954

Export Development Corporation (EDC)

Ottawa	151 O'Connor Street Ottawa, ON K1A 1K3	Tel.: (613) 598-2500 Fax: (613) 237-2690
Vancouver	One Bentall Centre 505 Burrard Street Suite 1030 Vancouver, BC V7X 1M5	Tel.: (604) 666-6234 Fax: (604) 666-7550
Calgary	510-5th Street S.W. Suite 1030 Calgary, AB T2P 3S2	Tel.: (403) 292-6898 Fax: (403) 292-6902
Winnipeg **office also serves Saskatchewan*	330 Portage Avenue Eighth Floor Winnipeg, MB R3C 0C4	Tel.: (204) 983-5114 Fax: (204) 983-2187
Toronto	National Bank Building 150 York Street Suite 810 P.O. Box 810 Toronto, ON M5H 3S5	Tel.: (416) 973-6211 Fax: (416) 862-1267
London	Talbot Centre 148 Fullarton Street Suite 1512 London, ON N6A 5P3	Tel.: (519) 645-5828 Fax: (519) 645-5580
Montreal	Tour de la Bourse 800 Victoria Square Suite 4520 P.O. Box 124 Montreal, PQ H4Z 1C3	Tel.: (514) 283-3013 Fax: (514) 878-9891
Halifax	Purdy's Wharf, Tower 2 1969 Upper Water Street Suite 1410 Halifax, NS B3J 3R7	Tel.: (902) 429-0426 Fax: (902) 423-0881

Multilateral Organizations

World Bank	Washington, D.C. 20433 U.S.A.	Tel.: (202) 477-1234 Fax: (202) 477-6391
Office for Liaison with International Financial Institutions	Canadian Embassy 501 Pennsylvania Avenue N.W. Washington, D.C. 20001	Tel.: (202) 682-7719 Fax: (202) 682-7726

Business and Professional Organizations in Canada

Alliance of Manufacturers and Exporters Canada	99 Bank Street, Suite 250 Ottawa, ON K1P 6B9	Tel.: (613) 238-8888 Fax: (613) 563-9218
Hungarian Chambers of Commerce in Canada	1482 Bathurst Street, Suite 402 Toronto, ON M5P 3H3	Tel.: (416) 656-6976 Fax: (416) 653-7639
	1236 rue de Fort Suite A, Montreal, PQ H3H 2B3	Tel.: (514) 932-1988 Fax: (514) 932-5188
	3913 West 24th Ave. Vancouver, BC V6S 1M1	Tel.: (604) 222-1635 Fax: (604) 222-2454

Canadian Banks with International Offices

Bank of Montreal	11 Walbrook Street London, England EC4N 8ED	
Canadian Imperial Bank of Commerce European Operations Office	Cottons Centre Cottons Lane London, SE1 2QL, England	Tel.: (011-441-71) 234-6000
National Bank of Canada Europe Regional Office	Princes House 95 Gresham Street London, England EC2V 7LU	
Royal Bank of Canada AG	P.O. Box 71 07 14 Lyonner Strasse 15 60497 Frankfurt am Main, Germany	
The Toronto-Dominion Bank	Triton Court 14/18 Finsbury Square London, England EC2A 1DB	
Hongkong Bank of Canada	10 Lower Thames Street P.O. Box 506 London, England EC3R 6AE	

Hungarian Government Offices in Canada

Embassy of Hungary	7 Delaware Avenue Ottawa, ON K2P 0Z2	Tel.: (613) 232-1711 Fax: (613) 232-5620
Consul General and Trade Commissioner	1200 McGill College Avenue Suite 2030 Montreal, PQ H3B 4G7	Tel.: (514) 393-1555 Fax: (514) 393-3528
Consul General	102 Bloor St. W. Suite 405 Toronto, ON M5S 1M8	Tel.: (416) 923-8981 Fax: (416) 923-2732
Trade Commissioner	102 Bloor St. W. Suite 405 Toronto, ON M5S 1M8	Tel.: (416) 923-3596 Fax: (416) 923-2097

Hungarian Institutional Support for Housing Importers

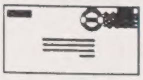
International Relations Department	Honved u. 13-15 H-1055 Budapest, Hungary	Tel.: (011-36-1) 156-5566 Fax: (011-36-1) 175-0219
Hungarian Chamber of Commerce	Kossuth Lajos ter 6-8 H-1055 Budapest, Hungary	Tel.: (011-36-1) 153-0835 Fax: (011-36-1) 153-1285
Budapest Chamber of Industry and Commerce	Krisztina krt. 99 H-1016 Budapest, Hungary	Tel/Fax: (011-36-1) 175-6769
Hungarian National Association of Entrepreneurs (VOSZ)	Konyves Kalman krt. 44. H-1087 Budapest, Hungary	Tel.: (011-36-1) 269-9224 Fax: (011-36-1) 269-9226
Hungarian Banking Association	Roosevelt ter 7-8 Budapest, Hungary	Tel.: (011-36-1) 112-5826 Fax: (011-36-1) 111-6037
Association of the Hungarian Building Materials Industry	Fo utca 68 H-1027 Budapest, Hungary	Tel.: (011-36-1) 201-2011 Fax: (011-36-1) 156-1215

Hungarian Institutional Support for Housing Importers (cont'd)

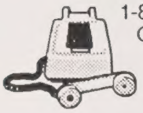
National Association of Trading Companies	Kuny D. u. 13-15 H-1012 Budapest, Hungary	Tel.: (011-36-1) 202-6574 Fax: (011-36-1) 155-9689
Hungarian Chamber of Real Estate Dealers	Deak Ferenc u. 10 III.305 H-1052 Budapest, Hungary	Tel.: (011-36-1) 266-2076 Fax: (011-36-1) 118-9857
National Association of Building Contractors	D brenteiter 1 H-1013 Budapest, Hungary	Tel.: (011-36-1) 201-3850 Fax: (011-36-1) 201-3840
Ministry of Finance	Jozsef Nador ter 2/4 H-1051, Budapest, Hungary	Tel.: (011-36-1) 118-2066 Fax: (011-36-1) 118-2570
National Bank of Hungary	Szabadsag ter 8-9 H-1054 Budapest, Hungary	Tel.: (011-36-1) 153-2600 Fax: (011-36-1) 132-3913
Hungarian State Privatization and Holding Co. (APV Rt.)	Pozsonyi utca 56 H-1133, Budapest, Hungary	Tel.: (011-36-1) 269-8600 Fax: (011-36-1) 149-5745
Heti Privinfo	Naphegy ter 8 H-1016, Budapest, Hungary	Tel.: (011-36-1) 175-6722 Fax: (011-36-1) 155-5451
Office of Foreigners' Affairs (Foreigners' Registration Centre)	Andrassy ut 12 H-1061 Budapest, Hungary	Tel.: (011-36-1) 118-0800

CMHC SCHL
Helping to house Canadians

HOUSING EXPORT OPPORTUNITIES SERIES ORDER FORM



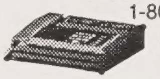
CMHC
P.O. Box 35005
Stn BRM B
Toronto, ON
M7Y 6E5



1-800-668-2642
Outside Canada call
1-613-748-2003

Charge to VISA, American Express or MasterCard.

To avoid double billing, please do not send confirmation.



FAX TO
1-800-245-9274
Outside Canada
1-613-748-2016

VISA, American Express, and MasterCard.

To avoid double billing, please do not send confirmation. A fax will be treated as an original order.

Please Print

Name

Company or Organization | Position Title

Address

City | Province/State/Country | Postal/Zip Code

Telephone Number ( ) | Fax Number ( )

METHOD OF PAYMENT

Check only one (individuals must prepay all orders.)

☐ Please charge my

VISA ☐ American Express ☐ MasterCard ☐

Card Number

Expiry Date

Signature

☐ Payment enclosed $ ____________

Please make cheque or money order payable to CMHC

To Complete See Example on Reverse Side

ORDER NUMBER	REPORT TITLE Please be sure the order number and report title match the listing	1 QTY	2 ITEM AMOUNT $	3 TOTAL $ AMOUNT 1 x 2	4 SHIPPING POINTS	5 TOTAL SHIPPING POINTS 1 x 4
					3	
					3	
					3	
					3	
					3	
					3	
					3	
					3	
					3	

SOURCE
(How did you hear about the product?)

TV AD ☐ ☐ CATALOGUE
NEWSPAPER ☐ ☐ FLYER/BROCHURE
MAGAZINE ☐ ☐ OTHER

U.S. AND INTERNATIONAL ORDERS
Please pay subtotal C in U.S. Funds
(do not add GST or PST)

Subtotal Column 3	A	
SHIPPING CHOICE Regular Mail ☐ Courier ☐ — ADD Shipping & Handling	B	
Subtotal (Add A + B)	C	
Registration #100756428 — ADD GST (7% of subtotal C)	D	
Subtotal (Add C + D)	E	
Quebec residents add PST (6.5% of Subtotal E)	F	
Total (Add E + F)	G	

Subtotal Column 5

Refer to Shipping and Handling Charges on the back of this form for the shipping and handling amount.

SEE EXAMPLE ON REVERSE

Shipping and Handling Charges

Points	Canada Regular Rates	Canada Courier Rates	U.S. Regular Air Rates	U.S. Courier Rates	International Regular Air Rates	International Courier Rates	Europe Courier Rates
1	2.55	5.00	5.00	11.00	7.00	24.00	19.00
2	3.65	8.00	6.50	14.00	9.00	30.00	25.00
3 to 5	5.80	11.07	8.11	30.75	12.18	63.75	47.75
6 to 10	6.18	11.07	12.46	34.75	20.61	88.75	55.75
11 to 20	6.43	12.35	18.08	42.75	38.77	118.75	71.75
21 to 40	6.94	14.90	23.81	58.75	64.65	193.75	103.75
41 to 60	7.44	17.62	29.48	74.75	68.12	253.75	129.75
61 to 80	7.95	20.51	35.15	90.75	117.36	313.75	149.75
81 to 100	8.45	23.35	40.92	106.75	146.60	373.75	169.75
101 to 120	8.96	26.20	46.59	120.75	166.71	433.75	189.75
121 to 140	9.46	29.05	52.31	134.75	184.72	493.75	209.75
141 to 160	9.97	31.90	58.00	148.75	207.45	553.75	229.75
161 to 180	10.47	34.75	63.71	162.75	228.92	613.75	249.75
181 to 200	10.98	35.60	69.38	176.75	250.29	658.75	269.75
201 to 220	11.48	40.45	75.05	190.75	N/A	718.75	289.75
221 to 240	11.99	43.30	80.72	204.75	N/A	778.75	309.75
241 to 260	12.49	46.15	86.49	218.75	N/A	838.75	329.75
261 to 280	13.00	49.00	92.21	232.75	N/A	901.75	349.75
281 to 300	13.50	51.85	97.88	246.75	N/A	958.75	369.75
Estimated Delivery times	2-3 weeks	5-10 days	2-3 weeks	5-10 days	4-8 weeks	12 days	12 days

Prices Subject to Change

CMHC Return Policy

We will replace damaged materials and correct shipping errors if we are notified within thirty days after you receive your shipment. If an item is not defective or not mistakenly shipped, then it must be returned by you at your cost within thirty days of receipt. It must arrive here in resaleable condition for you to receive credit.

International Note: Most international return shipments arrive damaged. If you received damaged items, contact CMHC at (613) 748-2969. Please do NOT return the damaged items unless we ask.

Example: To complete order form and determine shipping and handling charges

ORDER NUMBER	REPORT TITLE Please be sure the order number and report title match the listing	1 QTY	2 ITEM AMOUNT $	3 TOTAL AMOUNT 1 x 2	4 SHIPPING POINTS	5 TOTAL SHIPPING POINTS 1 x 4
NHA8003	Brazil	1	35.–	35.–	3	3
NHA 8009	Western Europe	2	23.–	46.–	3	6
					3	
					3	

Subtotal Column 3 — A 81.–

Subtotal Column 5 — 9

SOURCE
(How did you hear about the product?)

- TV AD ☐ ☐ CATALOGUE
- NEWSPAPER ☐ ☐ FLYER/BROCHURE
- MAGAZINE ☐ ☐ OTHER

SHIPPING CHOICE
Regular Mail ☑ Courier ☐

ADD Shipping & Handling — B 6.18

Refer to Shipping and Handling Charges on the back of this form for the shipping and handling amount.

Subtotal (Add A + B) — C 87.18

Registration #100756428

ADD GST (7% of subtotal C) — D 6.10

Subtotal (Add C + D) — E 93.28

U.S. AND INTERNATIONAL ORDERS
Please pay subtotal C in U.S. Funds
(do not add GST or PST)

Quebec residents add PST (6.5% of Subtotal E) — F –

Total (Add E + F) — G 93.28

CMHC's Housing Export Opportunities series contains up-to-date, relevant information on foreign housing markets for the Canadian Housing industry. Our country reports provide you with the market research and analysis you need to make the right business decisions about today's most dynamic offshore housing markets.

The country reports provide in-depth analysis of local housing needs and conditions, trade policy and business customs for each country. Also included is advice on risk assessment, cultural issues, establishing an office and distribution and sales channels. Each report has a comprehensive list of contacts, both in Canada and abroad for financial and industry information. Among our most sought after country reports are:

- China
- Chile
- South Korea
- Germany
- France
- Spain

Get CMHC's Housing Export Opportunities series and get ready to export. Prepare for a more profitable future. Order your country reports today by calling **1-800-668-2642.**